

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

In re application of Illinois Electric Transmission	:	
Company, LLC for a Certificate of Public	:	
Convenience and Necessity, pursuant to Section	:	No.
8-406 of the Public Utilities Act, to operate as a	:	
Public Utility, and for related approvals.	:	

Direct Testimony of
MARTIN R. WALICKI
Senior Vice President, Illinois Electric Transmission Company

Senior Vice President, Finance and Treasurer
Trans-Elect, Inc.

1 Q. Please state your name and business address.

2 A. Martin R. Walicki, Trans-Elect, Inc., 1850 Centennial Park Drive, Suite 480, Reston,
3 Virginia 20191.

4 Q. By whom are you employed and in what capacity?

5 A. I am Senior Vice President, Finance and Treasurer for Trans-Elect, Inc. I also hold the
6 position of Senior Vice President for Illinois Electric Transmission Company, LLC
7 (“IETC”).

8 Q. What are your duties for Trans-Elect and IETC?

9 A. I am responsible for all financial matters for Trans-Elect and IETC, including arranging
10 all debt and equity financings for the company, its acquisitions, treasury matters,
11 accounting and financial controls, taxes, risk management, strategic planning, and
12 investor relations.

13 Q. What is your experience in the utility industry?

14 A. I have twenty-five years of experience in the utility industry. Prior to joining Trans-Elect
15 in 2002, I served as Vice President and Treasurer for CMS Energy, and in that position I
16 was responsible for all corporate, lease, and project finance activities. My duties also
17 included global treasury and risk management, and mergers and acquisitions.

18 Q. During your tenure at CMS Energy, how many financing projects did you manage?

19 A. I directly or indirectly managed over fifty corporate and project financings totaling more
20 than \$21 billion. Fifteen of the financings were project-related or acquisitions that in
21 aggregate exceeded \$10 billion.

22 Q. What is your educational background?

23 A. I have a BBA in Accounting from Western Michigan University and an MBA in Finance
24 from Michigan State University.

25 Q. What is the purpose of your direct testimony?

26 A. I will discuss the corporate structure and financial arrangements of IETC. My testimony
27 will demonstrate the financial capabilities of IETC to own, operate, and manage the
28 transmission system being acquired from Illinois Power and to be the provider of
29 transmission services to the public using the transmission facilities acquired by Illinois
30 Power.

31 Q. What is IETC?

32 A. IETC is a newly-formed limited liability company formed under the laws of the State of
33 Delaware. IETC will purchase, own, operate, and maintain the transmission assets
34 formerly owned by Illinois Power Company ("Illinois Power").

35 Q. What is your involvement with IETC's purchase of the transmission assets of Illinois
36 Power?

37 A. As Trans-Elect's senior officer for mergers and acquisitions, I am in overall charge of the
38 financing of the transaction and for setting up the financial affairs of the new company.

39 Q. Who are the members of IETC?

40 A. The sole member of IETC is Illinois Transco Holdings, Limited Partnership.

41 Q. Who owns Illinois Transco Holdings, Limited Partnership?

42 A. Illinois Transco Holdings is a limited partnership. Trans-Elect Illinois, LLC is its general
43 partner. The sole limited partner at the present is Trans-Elect, Inc. Upon the closing of
44 the acquisition it is expected that AIG Highstar Capital, L.P. or one of its subsidiaries will
45 become the limited partner. AIG Highstar Capital, L.P. is a sector-specific private equity
46 fund that targets businesses in power, transportation, and environmental services. AIG
47 Highstar Capital, L.P.'s capital commitments are rated A- by Standard & Poor's, giving it
48 the ability to provide investment-grade contingent equity.

49 Q. Who are the members of Trans-Elect Illinois, LLC?

50 A. The sole member of Trans-Elect Illinois, LLC is Trans-Elect, Inc.

51 Q. Do you have a chart showing the various entities and their relationships?

52 A. Yes. Attachment MRW-1 gives an overview of the entities involved in the financing of
53 the IETC transaction.

54 Q. Does any person or entity own 10% or more of the voting shares of Trans-Elect, Inc., and
55 if so, who?

56 A. No. There are three entities that effectively own more than 10% of the equity of Trans-
57 Elect, but they are not true voting shares. GPSF-F, Inc. owns 25% of the Series C
58 Preferred Stock in Trans-Elect. This equates to approximately 12.5% of the total equity
59 in Trans-Elect. GPSF-F, Inc. has given up its voting rights in exchange for nine consent
60 rights similar to those that a lender would have. GPSF-F, Inc. is a wholly-owned
61 subsidiary of GE Capital Services Structured Finance Group, Inc., which is a wholly-
62 owned subsidiary of GE Capital Corp., which is itself a wholly-owned subsidiary of
63 General Electric Company.

64 Zesiger Capital Group, LLC, a New York limited liability company which acts as
65 agent and attorney-in-fact on behalf of approximately twenty-eight investors, owns the
66 same amount of Series C Preferred Stock as does GPSF-F, Inc. Like GPSF-F, Inc.,
67 Zeiger Capital Group, LLC has exchanged its voting rights for consent rights. None of
68 the investors owns more than 10% of Zesiger Capital Group.

69 ABB Power T&D Company, Inc., a Delaware corporation, has warrants
70 convertible into more than 10% of the Series B Preferred Stock of Trans-Elect, Inc. Like
71 GPSF-F, Inc., ABB Power T&D Company, Inc. has exchanged its voting rights for
72 consent rights. ABB Power T&D Company, Inc. is a wholly-owned subsidiary of ABB,
73 Ltd.

74 Q. Other than the entities you have named, describe the other investors in Trans-Elect, Inc.

75 A. The remaining investors, none of whom have a 10% or greater interest in the company,
76 include Trans-Elect's officers, former utility industry executives, other individuals,
77 venture capital funds, and industrial manufacturing companies. None are affiliated with
78 the entities described in my previous answer, and there are no voting agreements among
79 those entities and the other investors.

80 Q. Please list the elective officers and directors of IETC, Illinois Transco Holdings, Trans-
81 Elect Illinois, and Trans-Elect, Inc.

82 A. IETC, as an LLC, is managed by Illinois Transco Holdings, its sole member. The sole
83 general partner of Illinois Transco Holdings is Trans-Elect Illinois. Trans-Elect Illinois,
84 as an LLC, is managed by Trans-Elect, Inc. The Board of Trans-Elect is: Frederick W.

Buckman (Chair), H.B.W. Schroeder, David Smith, John Sullivan, Robert Winters and
Lisa Hess. The officers of Trans-Elect are:

Frederick W. Buckman	Chairman and CEO
H.B.W. Schroeder	President and COO
Robert L. Mitchell	President and COO, Trans-Elect New Transmission Development Company
Alan J. Statman	Executive V.P., General Counsel and Secretary
Paul D. McCoy	Senior V.P., Transmission Systems Operations
Martin R. Walicki	Senior V.P., Finance and Treasurer
Sharon B. Heaton	Vice President, Deputy General Counsel

The officers of IETC are currently as follows:

H.B.W. Schroeder	President
Alan J. Statman	Executive V.P., General Counsel and Secretary
Paul D. McCoy	Senior V.P.
Martin R. Walicki	Senior V.P.
Sharon B. Heaton	Vice President, Deputy General Counsel and Assistant Secretary

Q. What is Mr. Buckman's experience in the industry?

A. Fred Buckman has close to thirty years of experience in the electric industry including serving as President and Chief Executive Officer of PacifiCorp from 1994 to 1998. Mr. Buckman also served for eight years with Consumers Power Company, the utility subsidiary of CMS Energy, including serving as President of Consumers Power from 1988-1994. He started his career in the nuclear power business where he worked in plant operations, licensing, safety analysis and regulation for almost 15 years. Mr. Buckman brings to the company a wide breadth and depth of understanding of all aspects of the energy business. He was elected by the Board of Directors of Trans-Elect to serve as Chairman and Chief Executive Officer in March of 1999.

Q. Describe the other members of the company's management team.

113 A. Bernie Schroeder is the President and Chief Operating Officer of Trans-Elect and of
114 IETC, and brings almost twenty years worth of industry experience to our management
115 team. Among his many positions over the years, he served at Consumers Power
116 Company as Federal Legislative Representative, Federal Legislative Director and, for ten
117 years, as Vice President, Governmental Affairs. In addition to these duties he also ran the
118 Economic Development Department of the company. Later in his tenure he was
119 appointed Corporate Ombudsman as well. Since leaving Consumers in 1995,
120 Mr. Schroeder has successfully represented numerous utility clients before the federal
121 government including advocating utility restructuring, exploring solutions to the nuclear
122 waste disposal problem, as well as contract disputes and issues affecting trade.

123 Alan Statman is the Executive Vice President, General Counsel and Secretary of
124 Trans-Elect and of IETC. Mr. Statman has twenty years of experience as a noted Federal
125 Energy Regulatory Commission attorney. He distinguished himself as a managing
126 shareholder of Wright and Talisman, P.C., a Washington, D.C. based law firm
127 specializing in utility law and regulation. Mr. Statman has represented electric utilities
128 and gas companies in regulatory matters before the FERC, the Department of Energy, the
129 Nuclear Regulatory Commission and state public utility commissions.

130 The Senior Vice President, Transmission Systems Operations for Trans-Elect and
131 for IETC is Paul McCoy. Like my own qualifications described above, Mr. McCoy's
132 qualifications are described in his testimony, and I will not repeat them here.

133 The President and Chief Operating Officer of Trans-Elect's New Transmission
134 Development Company is Robert Mitchell, who has been involved with Trans-Elect since

135 its inception. Mr. Mitchell has been directly involved in Trans-Elect's acquisition of
136 transmission assets in Canada and the United States. Before helping to form Trans-Elect,
137 Mr. Mitchell had a distinguished career in government and business including being
138 appointed by President Carter to an Executive branch position, serving as a Cabinet
139 Officer in the administration of Governor Blanchard in Michigan, and involvement with
140 the achievement of consensus among diverse public and private sector groups. As Chief
141 of Staff to Alaska Senator Gravel, he played a key role in securing approval for the
142 Alaska Oil Pipeline and later co-founded the highly successful, bi-partisan Michigan
143 Political Leadership Program.

144 Sharon Heaton is Deputy General Counsel and Vice President of Trans-Elect, Inc.
145 and of IETC. Until 2001, Ms. Heaton served as Vice President and Deputy General
146 Counsel of Columbia Energy Group, one of the nation's largest integrated natural gas
147 systems with assets in excess of \$6 billion. She has also worked at the law firm of
148 Latham Watkins, where her practice focused on matters related to the Public Utility
149 Holding Company Act, the Public Utility Regulatory Policies Act, the Federal Power Act
150 and energy project finance transactions. Additionally, Ms. Heaton was senior counsel on
151 the U.S. Senate's Committee on Banking, Housing and Urban Affairs from 1992-1994.
152 She also served as Chief Counsel to former Senator Donald W. Riegle, Jr. working on tax
153 and trade issues that came before the Senate Finance Committee. She also drafted and
154 negotiated amendments to PUHCA, including amendments incorporated into the Energy
155 Policy Act of 1992.

156 In sum, Trans-Elect has compiled a management team with an impressive amount
157 of experience and understanding of the energy industry. We are confident that this group

of leaders will steer Trans-Elect in a manner which will allow it to continue to be the world's most successful, efficient and environmentally aware transmission company.

Q. What agreements will IETC have with Illinois Transco Holdings, Trans-Elect Illinois, and/or Trans-Elect, Inc?

A. There will be an LLC Operating Agreement between IETC and Illinois Transco Holdings. This document is not finalized at the present time, but it will provide for the funding from Illinois Transco Holdings as indicated on Attachment MRW-1. IETC will submit this agreement for the record in this docket when the agreement has been completed, and will request that the Commission's order consent to and approve this agreement.

Q. Other than what you have described, does IETC have any agreements with corporations that share one or more elective officers or directors in common with IETC?

A. No.

Q. From where is IETC obtaining the funds to purchase the transmission assets from Illinois Power?

A. As shown on Attachment MRW-1, IETC will obtain part of the funding from lenders, and part from Illinois Transco Holdings, which is the sole member of IETC. Loans to IETC will be provided by a syndicate of lenders, the joint lead arrangers of which are WestLB AG, New York Branch (West LB), and Société Générale (SG).

Q. What are the terms of the loans to IETC?

A. The terms of the credit facilities are summarized in a Statement of Terms and Conditions, which is Attachment MRW-2 hereto. In summary, there will be three loans, each having

180 a term of five years. There will be a \$137,100,000 term loan, which will be used to
181 finance a portion of the transmission assets from IP, and which IETC will repay in 20
182 quarterly payments; a \$15,000,000 capital expansion facility for financing expenditures
183 for assets to be included in IETC's rate base; and a \$5,000,000 revolving credit facility to
184 finance working capital needs and general corporate purposes. The loans will be secured
185 by a first priority lien on all of IETC's tangible and intangible assets.

186 Q. From what sources will Illinois Transco Holdings obtain funds that it provides to IETC?

187 A. AIG Highstar Capital, L.P. will purchase a limited partnership share in Illinois Transco
188 Holdings for up to \$60 million. The general partner, Trans-Elect, Inc., will invest
189 \$500,000 in Illinois Transco Holdings. Illinois Transco Holdings will also borrow from
190 the syndicate of lenders, led by West LB and SG, in the amount of \$75 million, secured
191 by Illinois Transco's ownership interest in IETC. Illinois Transco Holdings will
192 contribute these sums to IETC pursuant to IETC's LLC Operating Agreement. Again,
193 this is all summarized on Attachment MRW-1.

194 Q. Describe the limited partnership interest of AIG Highstar Capital, L.P.

195 A. AIG will have a preferred limited partnership equity interest in Illinois Transco Holdings.
196 AIG's role in the partnership will be limited, but AIG will have consent rights regarding
197 certain extraordinary and other transactions that might materially affect its investment,
198 similar to the rights granted to debt holders by means of negative covenants in debt
199 instruments.

200 Q. Will securities issued by IETC have a credit rating, and if so, what do you anticipate that
201 rating to be?

202 A. Yes, securities issued by IETC will be rated. Based on preliminary indications provided
203 by Standard & Poor's and Moody's Investors Services, I anticipate the securities will be
204 rated in the BBB range.

205 Q. Will IETC have sufficient funds to operate and maintain the transmission lines, and will
206 it have sufficient funds to construct new transmission facilities?

207 A. Yes, cash flow projections prepared in connection with the acquisition included
208 significant allowances for both operation and maintenance expenses and capital
209 investments. In addition, IETC will have access to the two revolving lines of credit,
210 totaling \$20,000,000, to finance capital expenditures and meet liquidity needs.

211 Q. How will IETC be capitalized?

212 A. IETC will be capitalized with approximately 50% debt and 50% equity, as indicated on
213 Attachment MRW-1. The equity will come from Illinois Transco Holdings and the debt
214 will come from the security issuance described earlier.

215 Q. Where will IETC keep its books and records?

216 A. The financial books and records will be maintained in Illinois. The legal corporate
217 governance records will be maintained in Reston, Virginia with a copy in Illinois.

218 Q. Does this complete your testimony?

219 A. Yes.